



Memorandum

TO: PUBLIC SAFETY, FINANCE AND
STRATEGIC SUPPORT COMMITTEE

FROM: Jennifer A. Maguire

SUBJECT: BI-MONTHLY FINANCIAL
REPORT FOR JULY/AUGUST 2008

DATE: October 6, 2008

Approved Deana J. J. J. Date 10/6/08

The Bi-Monthly Financial Report (MFR) for July/August 2008 was jointly prepared by the City Manager's Budget Office and the Finance Department and is presented for City Council review.

OVERVIEW

Through the first two months of the fiscal year, the City's overall financial position remains relatively stable, although on careful watch, with revenues and expenditures generally performing within expected levels. The economically sensitive revenues in the General Fund and other special/capital funds are showing signs of weakness and are being diligently monitored. It is still too early, however, to draw firm conclusions considering the limited data on some of the City's major revenue sources, such as Sales Tax. Weak economic performance was anticipated in the revenue estimates included in the 2008-2009 Adopted Budget. There was not, however, an expectation that the economy would appreciably worsen, impacted by the recent financial markets crisis, or even enter into a recession. If this occurs, it is possible that the economically sensitive revenues, which account for approximately half of the General Fund revenues, may drop below budgeted estimates. The City's Economic Uncertainty Reserve is available to offset at least portion of a potential drop in General Fund revenues. This Reserve was established to address fluctuations in economic performance and would serve as a temporary safety valve if revenues fall below projections and budget rebalancing actions are necessary. Given the state of the economy, an increase to the Economic Uncertainty Reserve from \$10 million to \$15.3 million is recommended in the 2007-2008 Annual Report, which is scheduled to be considered by the City Council on October 21, 2008. If revenues drop below estimated levels in some of the City's special/capital funds, rebalancing actions could also be necessary.

The Administration will closely monitor economic conditions and will bring forward budget adjustments as necessary. Following are some key highlights in this report:

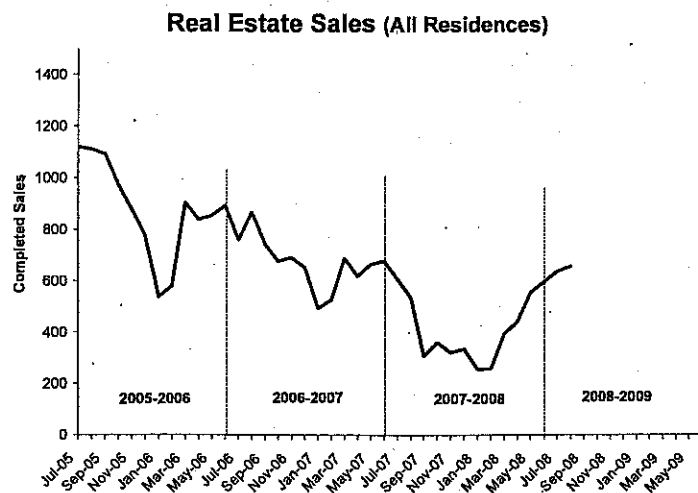
- The economically sensitive General Fund revenue categories generally ended 2007-2008 at or slightly above estimated levels, which will serve as a strong starting point for 2008-2009. This will be particularly useful in the Sales Tax area. Based on 2007-2008 performance, General Sales Tax receipts can decline 1% and still meet the 2008-2009 budgeted estimate.
- Development-related fee activity tracked below anticipated levels through August in the Building, Planning, and Fire Fee Programs. Expenditures are being closely monitored in these programs in an effort to control costs to help offset lower revenue performance. Staff will closely monitor these activity levels and will bring forward any budget actions necessary to bring these cost-recovery programs into balance as part of the Mid-Year Budget Review.

OVERVIEW (CONT'D.)

- Serious concerns have arisen surrounding the overall health of the economy given the recent collapse of the financial markets, the volatility in the stock market, the high cost of fuel, and the continuing problems associated with the housing market. When the 2008-2009 budget was developed, it was assumed that the problems associated with the sub-prime mortgages and the housing market would continue and the directly impacted revenue categories (Construction and Conveyance Taxes and SB 813 Property Taxes-supplemental taxes associated with property turnovers) were adjusted downwards accordingly. Given recent developments, other revenue categories, such as General Fund interest earnings, Transient Occupancy Tax collections, and construction-related taxes, may also be impacted in 2008-2009. In addition, debt-related costs and the impact on the City's retirement funds will also have to be monitored.
- Activity at the Airport continues to be impacted by the high cost of oil and the overall economic slowdown. Through August, the Airport has enplaned 1.9 million passengers, a decrease of 8.8% from the same period last year. The Airport currently projects a 10% drop in passenger activity in 2008-2009. Prudent financial management and conservative use of resources are expected to enable continued operation within budget.
- Expenditures tracked within estimated levels through August. Cost control measures remain in place, such as the hiring review, and have generated significant saving in recent years.

Economic Environment

When the 2008-2009 Adopted Budget was prepared, it was assumed that only modest economic growth would be experienced during the fiscal year. The impacts of the slowing housing market, the sub-prime mortgage problems, and the rising cost of fuel were expected to continue to hamper growth in this region, along with the State and the nation. The current crisis in the financial markets and the associated impacts, however, were not assumed when the 2008-2009 budget was developed.



Through the first two months of the fiscal year, the economic indicators have not been positive. In August, the number of property transfers for all types of residences decreased by 22% from the prior year. Additionally, the median home price for single family homes within the City dropped significantly, with the median home price in August 2008 of \$560,000, down 27% from the prior year. The August 2008 figure represents the lowest median home price within the City since spring 2004.

OVERVIEW (CONT'D.)

Economic Environment (Cont'd.)

It is expected that the housing market will continue to experience weak performance through the fiscal year and will directly impact Construction and Conveyance Tax receipts and the SB 813 Property Tax receipts. Collections in these areas have already declined in the past two years and are expected and budgeted to fall further in 2008-2009. Through August, Construction and Conveyance Tax receipts are already down 29% from last year. The significant slowdown in this area along with the overall slowdown in the economy is also expected to negatively impact Sales Tax collections.

Job growth in the area has also come to a halt and the unemployment rate continues to move upwards. Employment figures for July 2008 (915,700) and August 2008 (916,000) were both below the June 2008 figure of 923,400. The July and August figures were also virtually at the same level as the prior year, with slight reductions of less than one percent. The unemployment rate of 6.6% in August 2008, while up only slightly from the July 2008 figure of 6.5%, was up significantly from 5.0% a year ago. When comparing the August 2008 unemployment rate in this region with the State and the nation, this area fares better than the State that has an unadjusted unemployment rate of 7.6%, but is slightly worse than the nation, which currently has an unadjusted unemployment rate of 6.1%.

On a national level, consumer confidence did increase slightly in September, but these results did not factor in all of the recent economic developments. "September's increase in the Consumer Confidence Index was due solely to an improvement in the short-term outlook," says Lynn Franco, director of The Conference Board Consumer Research Center. "However, these results did not capture all of the tumultuous events in the financial sector this month, and until the dust settles a bit more, we will not know the full impact on consumers' expectations. Shocks such as the 1987 crash, generally tend to have a temporary adverse affect on confidence, lasting on average two to four months, unless they result in significant job losses. Just as noteworthy, consumers' assessment of current conditions continues to indicate that the current economic environment remains quite weak."

As described in the Financial Market Update and Impact on the City of San José information memorandum that was distributed to the City Council on September 29, 2008, the current turmoil in the financial markets can potentially impact a number of City areas. The areas identified included: interest earnings on the City's portfolio; the City's variable rate bond program; the Affordable Housing Program; the City's insurance coverage and ability to pay claims; the near-term market access for the Redevelopment Agency bond issues; and the City's retirement plans. The Administration will continue to evaluate the City's risks in these areas, make recommendations to mitigate those risks, and will bring forward appropriate actions to ensure the City's fiscal integrity as necessary.

OVERVIEW (CONT'D.)

Economic Environment (Cont'd.)

Looking forward, the economic outlook is not promising. In its third quarterly report of 2008, the UCLA Anderson Forecast advocates that the national economy is not technically in a recession. The Forecast, however, readily acknowledges all of the current problems facing the economy and, recession or not, asserts that the national economy is "stalled". According to UCLA Anderson Forecast Senior Economist David Shulman, "What we are describing is an economy operating at its "stall speed" where any modest shock can trigger a full-blown recession." According to Shulman, the economy is in for a period of well below trend growth over the next several quarters and below trend growth thereafter. The UCLA California Forecast predicts an even weaker California economy with California's fiscal crisis, and the weakness in housing and finance creating a continuing drag on economic growth. The California housing market is predicted to continue its decline, along with the associated employment in real estate-related sectors.

Given these projections, economic conditions will continue to be closely monitored and will be factored into the assessment of the City's performance in 2008-2009 as well as development of the 2010-2014 General Fund Forecast. A preliminary forecast is expected to be released mid-November 2008, with a final General Fund Forecast planned to be released in February 2009.

GENERAL FUND**REVENUES**

General Fund revenues through August 2008 totaled \$52.9 million. This was a decrease of \$12.4 million (19%) from the August 2007 level of \$65.3 million. This lower collection level, however, primarily reflected the timing of payments in the Revenue from Local Agencies and Transfer and Reimbursements categories. These payments are expected to end the year within budgeted levels. In addition, the Use of Money and Property category is tracking below the prior year due to lower interest earnings. These lower collection levels were partially offset by higher collections in the Utility Tax, Revenue from the Federal Government, and Other Revenue categories.

While revenue performance through August is generally within expected levels, it is possible that the economically sensitive revenue collections may drop below budgeted estimates if the economy falls into a recession. The City's Economic Uncertainty Reserve is available to address a potential drop in General Fund revenues. The Budget Office will, of course, continue to refine its revenue estimates as additional information becomes available.

The following discussion highlights General Fund revenue activities through August.

KEY GENERAL FUND REVENUES

<u>Revenue</u>	<u>2008-2009 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Property Tax	\$ 208,267,000	\$ 0	\$ 640,448

The Property Tax category consists of Secured Property Tax, Unsecured Property Tax, SB 813 Property Tax (retroactive collections back to the point of sale for reassessments of value due to property resale); and Homeowners Property Tax Relief. Through August, no Property Tax payments have been received. The variance from the prior year was primarily the result of the timing of payments.

While no actual payments had been received through August for the Secured Property Tax, it is anticipated that collections will end the year very close to the Adopted Budget estimate of \$192.1 million based on the most current tax roll information provided by the County of Santa Clara. Collections may fall short of the Adopted Budget estimate if the number of Property Tax appeals are significantly higher than projected. The 2008-2009 collections are based on the value of property assessed on January 1, 2008, with any tax roll corrections. Tax roll adjustments are still occurring and will continue to take place until the end of May 2009. The Budget Office will continue to work with the County to assess what implications any fluctuation in revenues due to this factor might have for the prospects of growth in the overall Secured Property Tax category.

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GENERAL FUND (CONT'D.)**KEY GENERAL FUND REVENUES (CONT'D.)****Property Tax (Cont'd)**

In the Unsecured Property Tax category, the largest payment is received in October of each year. Based on preliminary information from the County, collections in this category are expected to meet the budgeted estimate of \$11.1 million. Last fiscal year, a small amount of revenue (\$194,000) was received through August to account for roll corrections in the Unsecured Property Tax category that occurred in the latter part of 2006-2007.

For the SB 813 Property Tax category, the first payment of \$405,000 was booked in September 2008; while last fiscal year, the first payment of \$446,000 was received in August 2007. This timing difference in the payments represented the majority of the variance from the prior year. While receipts did drop 9.2% in first month, it is anticipated that collections will fall significantly in this area based on the slowdown in the housing market. A substantial drop-off in this category was anticipated when the 2008-2009 Adopted Budget was developed based on the assumption that real estate sales would continue to decline through this fiscal year. Receipts can fall by approximately 50% from the \$7.9 million collected in 2007-2008 and still meet the 2008-2009 budget estimate of \$3.9 million in this category.

It is anticipated that the Homeowners Property Tax Relief will come in at the budgeted level of \$1.1 million.

<u>Revenue</u>	<u>2008-2009 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Sales Tax	\$ 152,536,000	(\$ 1,833,909)	(\$ 3,153,450)

The Sales Tax category includes General Sales Tax and Proposition 172 Sales Tax. General Sales Tax receipts through August still reflected a negative amount of \$2.3 million due to the 2007-2008 year-end accrual to account for the last quarter of 2007-2008. The current receipts do not yet reflect actual performance in 2008-2009. Information on the first quarter collections for this fiscal year will not be received until late December.

While there is no data for the current fiscal year, the City received preliminary information on San José's performance in the last quarter of 2007-2008, representing sales activity for April through June. This data, which was received in September, showed a decline of 3.4% from the same quarter in the prior year. Downward trends were also experienced by Santa Clara County (down 4.1%), and the San Francisco Bay Area (down 0.4%), Northern California (down 2.0%) and the State as a whole (down 3.1%).

Because Sales Tax receipts were overall slightly higher than anticipated in 2007-2008, Sales Tax receipts can actually decrease by 1% in 2008-2009 and meet the budget estimate. Given the current economic environment, collections may well fall below this level.

GENERAL FUND (CONT'D.)**KEY GENERAL FUND REVENUES (CONT'D.)****Sales Tax (Cont'd)**

The Proposition 172 Sales Tax receipts of \$425,000 are tracking slightly below the prior year collection level of \$430,000. This category experienced a decline of 2.6% in 2007-2008. To meet the 2008-2009 budgeted estimate, growth of 4.7% is needed. If current collection trends continue, a downward adjustment to this revenue category will be brought forward later in the year.

<u>Revenue</u>	<u>2008-2009 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Transient Occupancy Tax	\$ 9,972,000	\$ 966,250	\$ 942,967

Through August, Transient Occupancy Tax collections of \$966,000 were tracking 2.5% above the prior year collection level of \$943,000 for the same period. Growth of 4.3% is needed, however, to meet the 2008-2009 budget estimate of \$10.0 million.

The occupancy rate at the 14 major hotels was 63.60% in August 2008, which was below both the July 2008 rate of 67.53% and August 2007 rate of 65.42%. The average room rate also decreased slightly from \$137.12 in August 2007 to \$135.74 in August 2008. Given the current economic environment and the general volatility in this category, receipts will be closely monitored to determine if a downward adjustment to this revenue category will be needed during the year.

<u>Revenue</u>	<u>2008-2009 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Utility Tax	\$ 83,690,000	\$ 9,175,059	\$ 7,855,708

Utility Tax collections of \$9.2 million were up 16.8% from last year's collection level of \$7.9 million. This higher collection level was primarily the result of accrual differences from the prior year in the Water Utility category.

In the Electric Utility Tax category, collections of \$4.1 million were tracking 3.3% above the prior year level of \$3.9 million. Growth of 4.3% is needed to meet the Electric Utility budget estimate of \$38.8 million. In the Gas Utility Tax category, receipts of \$892,000 were 20.9% above the prior year of \$738,000, primarily reflecting the changes in the price of gas. The 2008-2009 Adopted Budget estimate of \$10.7 million actually allows for a drop of 5.1% from the prior year collection level. Since the majority of revenue is received in the winter months, collections during that period will provide a much better indicator of year-end receipts in the Gas Utility Tax category. Collections of \$1.7 million in the Water Utility category are tracking well above the prior year level of \$1.1 million and are exceeding current year estimates primarily due to an accrual adjustment at the end of 2007-2008.

GENERAL FUND (CONT'D.)**KEY GENERAL FUND REVENUES (CONT'D.)****Utility Tax (Cont'd.)**

Collections in the Telephone Utility Tax category of \$2.5 million are tracking above the prior year level of \$2.1 million also due primarily to accrual adjustments. In August, receipts of \$2.3 million tracked 7.9% above the \$2.1 million collected in August 2007. It is currently anticipated that receipts will meet or slightly exceed the budgeted estimate of \$25.7 million by year-end.

<u>Revenue</u>	<u>2008-2009 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Licenses and Permits	\$ 78,883,904	\$ 12,713,352	\$ 13,209,457

Through August, Licenses and Permits revenue of \$12.7 million tracked 3.8% below the prior year level of \$13.2 million due to lower Business Tax receipts. Following is a discussion of the major components of this category.

Cardroom Business Tax collections of \$1.1 million were slightly above the prior year level of \$1.0 million and are tracking to meet the budget estimate of \$12.0 million by year-end. In the Business Tax category, revenues of \$5.1 million through August were tracking below the prior year level of \$5.8 million based on updates to the Business Tax billing system. While it is early in the fiscal year, it is currently anticipated that Business Tax collections will meet the budgeted estimate of \$13.3 million by year-end. Disposal Facility Tax revenue of \$1.1 million through August is tracking slightly above the prior year level of \$1.0 million and is expected to meet the budget estimate of \$13.2 million by year-end.

Through August, Fire Permit collections of \$1.6 million were tracking approximately 8% below estimated levels and 3.5% below the prior year receipts of \$1.7 million. Development-related collections of \$753,000 are 9.9% above levels received through August 2007, but 11.5% below estimated current year levels primarily due to lower than anticipated plan check fees. Through August, plan check revenue of \$324,000 was tracking 33.5% below the estimate of \$488,000 but at par with the prior year level of \$322,000. While current overall development activities are just slightly below anticipated levels, there are indications that activity is slowing. At this time, the Fire Department projects that it may end the year below budgeted revenue levels. The City Manager's Budget Office and Department will continue to monitor development revenues closely, and bring forward adjustments as necessary as part of the 2008-2009 Mid-Year Budget Review.

Building Permit revenues of \$3.41 million were tracking well below budgeted levels and slightly below the 2007-2008 collection level of \$3.45 million. Because collections in 2007-2008 ended the year significantly below anticipated levels, growth of 21% is needed in 2008-2009 to meet the budget estimate. Revenues in almost all categories were performing below anticipated levels

GENERAL FUND (CONT'D.)**KEY GENERAL FUND REVENUES (CONT'D.)****Licenses and Permits (Cont'd.)**

through August, with significant shortfalls in new residential building plan check, building permits, and specialized trades permits. If current collection trends continue, revenue in this program could fall below the budgeted estimate by \$3 - \$4 million. Staff will continue to control expenditures to minimize the gap between revenue and expenditures in this fee program. It is anticipated that a plan will be brought forward as part of the 2008-2009 Mid-Year Budget Review to rebalance this fee program. The Building Fee Reserve, which will total \$3.9 million after the reconciliation of 2007-2008 revenues and expenditures, is available to offset at least a portion of the projected shortfall. While the projected revenue shortfall could be offset by the use of the fee reserve and expenditure savings, the lack of revenue growth remains a major concern.

<u>Revenue</u>	<u>2008-2009 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Use of Money and Property	\$ 13,221,500	\$ 740,041	\$ 1,381,270

Use of Money and Property revenue collections of \$740,000 through August were well below the prior year level of \$1.4 million. This was the result of lower cash balances in the General Fund as well as a lower interest yield. The pre-payment of the City's contribution to its two retirement plans in August 2008 will reduce the interest earnings received during the year. This reduction, however, will be more than offset by expenditure savings associated with lower retirement contributions. As part of the 2007-2008 Annual Report actions, a \$1.5 million reduction to the General Fund revenue estimate for this category is recommended to reflect the lower interest earnings expected as a result of the retirement contributions pre-payment.

The interest yield is also down at the start of the fiscal year and is expected to drop further. As discussed in the Financial Market Update and Impact on the City of San José information memorandum that was distributed on September 29, 2008, the recent economic conditions will likely reduce the interest earnings on the City's Investment Portfolio. Since the development of the 2008-2009 Budget, the Federal Reserve has reduced the Federal Funds rate an additional 100 basis points to 2.00%. In addition, market conditions have reduced potential investment yields for the type of securities predominately included within the City's portfolio (US Government Agencies) as other market participants seek to invest in the safety of US Government issues to minimize their financial exposure. As the demand for these investments rises, yields on these conservative investments decline. The Finance Department is preparing an updated analysis on interest earnings rate projections for 2008-2009. It is anticipated that a downward reduction to this revenue estimate will be brought forward during the year based on the revised estimate.

GENERAL FUND (CONT'D.)**KEY GENERAL FUND REVENUES (CONT'D.)**

<u>Revenue</u>	<u>2008-2009 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Revenue from Local Agencies	\$ 48,071,886	\$ 1,754,838	\$ 13,250,382

This category includes reimbursement from the Redevelopment Agency for City services, grants from various agencies, reimbursement for fire suppression services in unincorporated County pockets, and reimbursement for emergency medical services. Revenues through August of \$1.8 million were well below the prior year level of \$13.3 million due to differences in the timing of payments. Last fiscal year, the City had received \$10.1 million in reimbursement from the Redevelopment Agency for the Convention Center debt service payment in August, which has not yet been booked this fiscal year. Revenues in this category are currently expected to end the year close to the adopted estimate.

<u>Revenue</u>	<u>2008-2009 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Departmental Charges	\$ 30,863,305	\$ 6,048,356	\$ 5,559,323

Overall, the Departmental Charges category performed within budgeted estimates through August. Following is a discussion of the major development-related fee areas in this category.

Planning Permit revenue of \$1.0 million was 12.1% below the prior year collection level of \$1.14 million. However, growth of 1.7% is needed to meet the 2008-2009 revenue estimate of \$6.7 million. Similar to the Building Fee Program, the revenues in residential categories are not meeting current year projections while non-residential activity is at or above anticipated levels. If current trends continue, collections in this category may fall short of the adopted estimate. The Planning Fee Reserve, which will total \$1.5 million after the reconciliation of 2007-2008 revenues and expenditures, is available to offset at least a portion of any variance between revenues and expenditures. The Budget Office will continue to work with the Planning, Building and Code Enforcement Department to project the year-end collection level and will bring forward appropriate adjustments, if necessary, to keep revenues and expenditures in balance.

Public Works revenues through August of \$955,000 were 6.3% above the prior year level of \$899,000 and are currently tracking close to estimated levels. To meet the 2008-2009 budget estimate, growth of 4.3% over the prior year is necessary. Given the current slowdown in development activity, performance in this category will be closely monitored to determine whether adjustments to revenues and expenditures will be necessary before year-end.

Collections in the other fee areas, including Library, Police, Transportation, and Parks, Recreation and Neighborhood Services, are on target to meet or exceed the budgeted estimates by year-end.

GENERAL FUND (CONT'D.)**KEY GENERAL FUND REVENUES (CONT'D.)**

<u>Revenue</u>	<u>2008-2009 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Transfers and Reimbursements	\$ 103,788,542	\$ 12,045,064	\$ 16,135,340

This category includes overhead reimbursements from operating and capital funds, transfers, and other reimbursements. Transfers and Reimbursement collections of \$12.0 million through August were below the prior year level of \$16.1 million. This lower collection level was the result of the planned five-month delay in Gas Tax payments from the State. These payments, which total \$7.0 million, were received in September 2008 as scheduled.

Overall, collections in the Transfers and Reimbursements category are expected to meet or exceed budgeted estimates by year-end based on higher overhead reimbursements from capital funds. While the operating overhead reimbursements are typically received at the adopted budget level, the capital overhead reimbursements are received based on actual capital expenditures. These reimbursements are currently tracking above anticipated levels based on the activity levels in the capital funds and should exceed the budget estimate by year-end.

EXPENDITURES

Through August, General Fund expenditures of \$146.9 million were slightly below the prior year level of \$147.6 million. Encumbrances of \$62.9 million were 26.6% above (\$13.2 million) the prior year level of \$49.7 million. Expenditures are tracking below the prior year primarily due to the timing of the Convention Center debt service payment. Last fiscal year, a Convention Center debt service payment of \$10.2 million was booked in August. This payment, which is reimbursed by the Redevelopment Agency, has not yet been booked this fiscal year.

Expenditures and encumbrances (\$209.9 million) through August constitute 22.1% of the total 2008-2009 revised budgeted uses of funds (\$951.9 million, excluding reserves). On an overall basis, cumulative departmental and non-departmental expenditures are tracking within budgeted levels. Following is a discussion of the expenditure performance for the Police and Fire Departments, the City's largest General Fund departments.

KEY GENERAL FUND EXPENDITURES

<u>Department</u>	<u>2008-2009 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Police	\$283,790,667	\$39,393,579	\$41,283,222

On an overall basis, Police Department expenditures were close to estimated levels through August. Personal Services expenditures of \$37.5 million tracked slightly below anticipated levels (14.5% compared to the par of 14.9% expended). Overtime expenditures of \$1.4 million

GENERAL FUND (CONT'D.)

KEY GENERAL FUND EXPENDITURES (CONT'D.)

Police Department (Cont'd.)

tracked above anticipated levels with 17.9% expended. This was due in part to higher overtime for an increased number of homicide investigations as well as special summer events that occurred downtown. In addition, the automated payouts for compensatory time over Fair Labor Standards Act (FLSA) levels (240 hours for non-sworn and 480 for sworn personnel) that was implemented by the City at the beginning of 2008-2009 increased Department overtime expenditures by \$90,000 through August. At this time, the Department estimates that it will end the year within its Personal Services appropriation. The Budget Office and Police Department will continue to closely monitor Personal Services to ensure expenditures are within appropriated levels by year-end.

The Department's Sworn Recruitment and Training Program aims to fill vacant positions with street ready officers within an average of 90 days. A total of \$6.4 million was budgeted in the 2008-2009 Adopted Budget to fund the Sworn Recruitment and Training Program. This included \$600,000 that was rebudgeted from 2007-2008 to support this program. The Department has 1,395 authorized sworn staff. The Department graduated 37 Police recruits from the January 2008 Academy, with the officers expected to be street-ready in October 2008. In addition, the Department hired 28 Police recruits for the July 2008 Recruit Academy. Due to attrition, 23 officers from the July 2008 Recruit Academy are expected to be street-ready in April 2009.

The compensatory time balance at the end of August 2008 was 242,670 hours for sworn personnel. This represents an increase of 2,650 hours (1.1%) from the July 2008 balance of 240,020, and a 1,613 hour increase (0.7%) compared to the August 2007 balance of 241,057. The increase in sworn compensatory time balances continues to be due to a number of factors including responses to specific types of crimes such as homicides which require immediate and intensive investigations, and the need to backfill for street-ready vacancies. A \$1.0 million buy down of compensatory time is recommended in the 2007-2008 Annual Report, through a rebudget of Personal Services savings, to further assist the Department in maintaining MOA compliance and reducing the compensatory time balance liability to the City. This funding will be used for a one-time buy-down of 100% of sworn personnel in the Bureau of Investigations (BOI) and 45% of sworn personnel in the Bureau of Field Operations over 240 hours. The Police Department will continue to monitor the balance and, to the extent possible, implement measures to curb the level of compensatory time accrued.

A total of \$6.5 million (26.0%) of the Department's Non-Personal/Equipment budget was expended or encumbered through August. The Budget Office and the Department will monitor expenditures closely to ensure expenditures are within appropriated levels by year-end.

GENERAL FUND (CONT'D.)**KEY GENERAL FUND EXPENDITURES (CONT'D.)**

<u>Department</u>	<u>2008-2009 Budget</u>	<u>YTD Actual</u>	<u>Prior YTD Actual</u>
Fire	\$ 158,633,754	\$ 23,192,835	\$ 20,260,692

Overall, expenditures for the Fire Department were tracking within budgeted estimates through August, with 14.6% expended. Personal Services expenditures through August tracked within budgeted levels with \$22.5 million, or 15.0%, expended. Salary and benefit expenditures tracked slightly below par level while overtime expenditures tracked above estimated levels with \$2.2 million expended (16.7%). The higher overtime expenditure level is due to July strike team deployments in Shasta, Jonesville, Butte, and Galeta. The Fire Department currently anticipates ending the year within the budgeted Personal Services allocation.

Through August, the Fire Department had a total of 271 filled paramedics (174 front-line, 5 Supervisors, and 92 support), compared to the 154 front-line Firefighter Paramedics that are necessary to fully staff all apparatus. All 15 Firefighters that remain from the April 2007 Academy completed paramedic accreditation by April 2008. An 18-week Firefighter Paramedic Academy consisting of 26 recruits began in July 2008 and will last through November 2008. The Department projects it will have no issues maintaining the target staffing level of 154 front-line Firefighter Paramedics.

The Fire Department's Non-Personal/Equipment budget of \$8.0 million was 30.3% expended or encumbered through August and is expected to end the year within the budgeted allocation.

CONTINGENCY RESERVE

The General Fund Contingency Reserve remains at \$30.0 million through August, with no revisions through the first two months of the fiscal year.

OTHER FUNDS

Construction and Conveyance Tax Funds

Construction and Conveyance (C&C) Tax revenues continue to experience significant declines due to the slowdown in the local real estate market. Nearly 98% of the total C&C taxes are comprised of conveyance receipts, or property transfers, which are the main driver in this revenue category. In August, the number of property transfers for all types of residences decreased 22% from the prior year. Additionally, the median home price for single family homes within the City dropped 27% from \$765,000 in August 2007 to \$560,000 in August 2008. The August 2008 figure represents the lowest median home price within the City since spring 2004. In addition, it has taken more time to sell these homes, with the average days-on-market increasing by 30% from 56 days in August 2008 compared to 43 days in August 2007.

The 2008-2009 Construction and Conveyance Tax estimate of \$23 million allows for a decline of 14% compared to 2007-2008 actual performance of \$26.8 million. Collections through August totaled \$2.5 million, which represents a decline of 29% from the \$3.5 million collected through August 2007. In addition to these revenues, the City has since received September Conveyance Tax receipts totaling \$2.0 million. This amount is 41% lower than the September 2007 amount of \$3.4 million. With this decrease, Construction and Conveyance collections have now experienced decreases in 26 out of the last 29 months when compared to the same months in the prior year. Based on current collection trends, a downward adjustment to the Construction and Conveyance Tax revenue estimate may be necessary during the year and any recommended adjustments will likely be brought forward during the 2008-2009 Mid-Year Budget Review.

Other Construction-Related Revenues

Through August, permit valuation for residential and commercial construction activity are below prior year levels while industrial construction activity is above prior year levels. Residential activity has been slow, with the total construction of 66 units in August, and is well below the number of units constructed in the same month last year (126 units). Permits were issued for *Monta Vista Place*, a mixed-use redevelopment project that consists of 56 townhomes, one single-family detached residence, and an 8,000-square foot retail building. Commercial activity was moderate with valuation for commercial permit activity at \$26 million. An \$18.8-million alterations permit was issued at *Santana Row*, for construction of three additional levels of parking and a new exterior ramp at an existing, three-level parking garage. The project will add roughly 800 parking spaces, bringing the total capacity of the structure to over 2,000 spaces. A permit was issued for *Lenfest Self Storage*, a four-story, 60,000-square foot self-storage facility. Industrial activity was moderate, though tracking higher than at this point last year, with valuation for industrial permit activity at \$31.0 million. This permit activity drives the revenue collection in several categories, including the Construction Excise Tax, the Building and Structure Construction Tax, and the Residential Construction Tax, and is an indicator of future activity for several other categories, such as the storm and sanitary sewer system fees.

Through August, actual receipts for the seven revenue sources monitored for this report totaled \$4.0 million, which represented a decrease of 16.1% from the \$4.8 million collected through the

OTHER FUNDS

Other Construction-Related Revenues (Cont'd.)

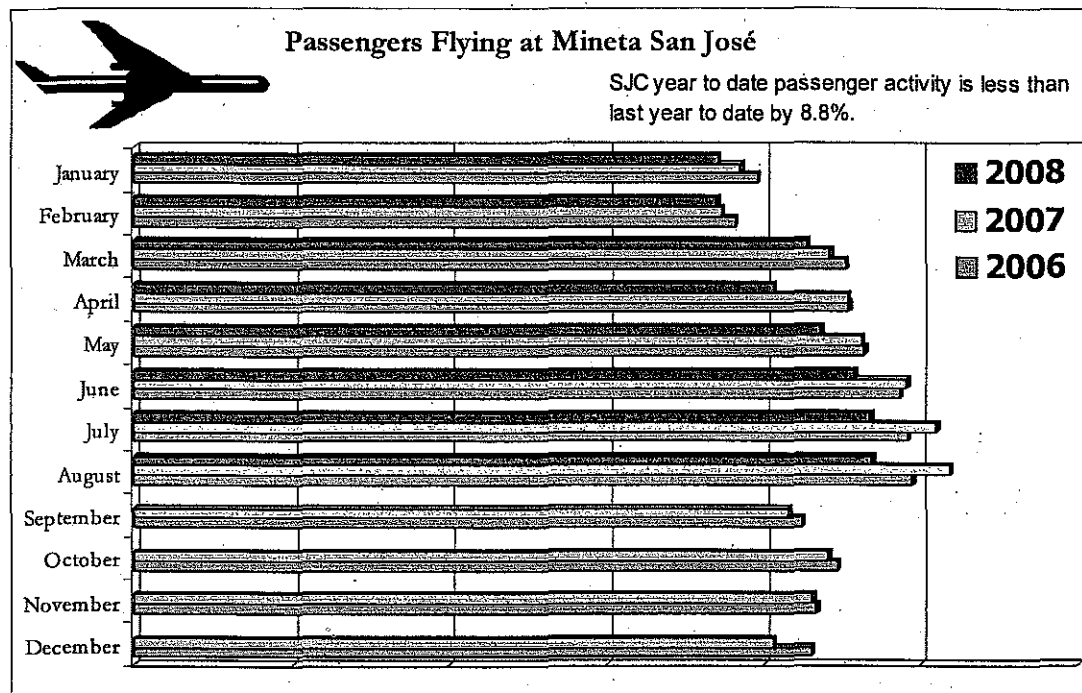
same period last year. While it is early in the fiscal year to make firm determinations, downward adjustments to several of these revenue categories may be necessary during 2008-2009 if current collection trends continue. Following is a discussion of the performance for the individual revenue categories:

- *Building and Structure Construction Tax* – Receipts through August totaled \$1.9 million, which is 22.2% of the 2008-2009 revenue estimate of \$8.7 million. This collection level is consistent with the prior year collections through August. The budgeted estimate for this category allows for a 9.5% drop in 2008-2009.
- *Construction Excise Tax* - Receipts of \$1.8 million dropped 33% from the \$2.7 million collected during the same period last year. The budgeted estimate for this category allows for a decline of only 4.3% in 2008-2009. It may be necessary to reduce this \$13 million revenue estimate during the year if current collection trends continue.
- *Residential Construction Taxes* – Receipts totaled \$18,000, which represented 12.0% of the current 2008-2009 estimate of \$150,000, and were down 3.1% from the fees received through the same period last year (\$19,000).
- *Municipal Water Service Connection Fees* – Receipts totaled \$19,000 through August, which represented 5.1% of the current 2008-2009 estimate of \$370,000. Because Municipal Water Service Connection Fees recover actual costs to install new services, this lower collection level is offset by lower costs.
- *Municipal Water Major Facilities Fees* – Collections totaled \$236,000 through August, which exceeded the current 2008-2009 estimate of \$100,000.
- *Sanitary Sewer Fees* – Fees totaled \$26,000, which represents 2.8% of the current 2008-2009 estimate of \$907,000. This collection level was 79.0% below the fees collected through the same period last year (\$122,000).
- *Storm Drain Fees* – Storm Drain Fees totaled \$17,000, which represents 5.4% of the current 2008-2009 estimate of \$309,000. This collection level was 32.9% below the fees received through the same period last year (\$25,000).

Airport Funds

On a fiscal year-to-date basis, the Norman Y. Mineta San José International Airport (SJC) has enplaned and deplaned 1.9 million passengers, a decrease of 8.8% from the figures reported through August of 2007-2008.

Fiscal year-to-date mail, freight and cargo totaled 25.7 million pounds, which represents a 17.9% decrease from 2007-2008. Traffic Operations (landings and takeoffs) trailed last year by 8.4%, Landed Weights by 3.9%, and Taxicab operations trailed last fiscal year by 4.2%. Passenger Facility Charge (PFC) revenues were 10.9% less than the prior year.

OTHER FUNDS**Airport Funds (Cont'd.)**

Year-to-date revenues reflect in most cases just one month of receipts and as a result it is too early to forecast a complete status. Through August, both Airport Customer Facilities and Transportation Fee Fund and Airport Maintenance and Operations Fund expenditures tracked below estimated budget levels.

The commercial aviation industry is experiencing turbulent times and an uncertain future primarily due to the cost of oil. The result is a loss of flights, passengers, capacity, and revenues. In 2008-2009, the Airport is anticipating a 10% reduction in passenger activity and related revenues. Continued prudent financial management and conservative use of resources will enable continued operation within budget. The Airport is focused on keeping San José competitive and attractive to carriers by increasing operational efficiencies, maintaining rates and charges below targets, and avoiding decisions that reduce competitiveness or increase airline costs.

Transient Occupancy Tax Fund

Transient Occupancy Tax (TOT) collections of \$1.3 million through August were very close to the prior year collection level. However, growth of 4% is needed to meet the 2008-2009 budgeted estimate. Downward adjustments may be necessary in this fund if collections fall below the budgeted estimate. As described earlier for General Fund Transient Occupancy Tax collections, the August 2008 occupancy rates and the room rates at the 14 major hotels dropped slightly from the prior year.

October 6, 2008

Subject: Bi-Monthly Financial Report for July/August 2008

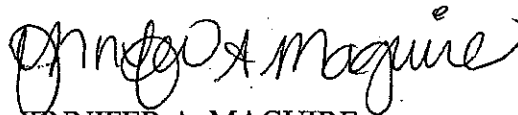
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CONCLUSION

Through August, the City's overall finances remain in relatively sound condition, however, on a careful watch, with revenues and expenditures generally tracking within estimated levels. The City's financial performance in 2007-2008 provided a solid starting point for 2008-2009, which may prove to be very beneficial given the further weakness in the economy.

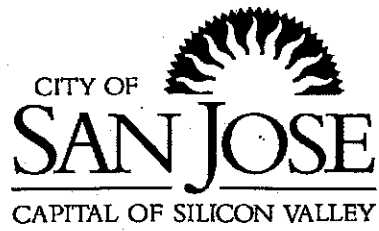
When the 2008-2009 Adopted Budget was developed, it was assumed that only modest economic growth would be experienced this fiscal year, hampered by the continued slowdown in the housing market, the fallout from the sub-prime mortgage crisis, and the rising cost of fuel. Through the first two months of the fiscal year, the economic environment has deteriorated with the virtual collapse of the financial markets and the extreme volatility in the stock market. While there is limited data for 2008-2009, it may be necessary to reduce a number of the economically sensitive revenue estimates in the General Fund and special/capital funds, particularly if the economy falls into a recession. The City's Economic Uncertainty Reserve is available to offset a potential drop in General Fund revenues this fiscal year if revenues fall below current projections and budget rebalancing actions are necessary.

The Administration will continue to closely monitor the economic situation and collections of the City's economically sensitive revenues to assure we can react quickly and appropriately should conditions deteriorate more than had been projected. If necessary, downward adjustments to various revenue estimates will be brought forward as part of the 2008-2009 Mid-Year Budget Review. As always, staff will continue to report to the City Council any and all significant developments through this reporting process.



JENNIFER A. MAGUIRE

Budget Director



FINANCE DEPARTMENT
Monthly Financial Report

Financial Results for the 2 Months Ended August 31, 2008
Fiscal Year 2008-09

Finance Department, City of San José
Monthly Financial Report
Financial Results for the 2 Months Ended August 31, 2008
Fiscal Year 2008-09

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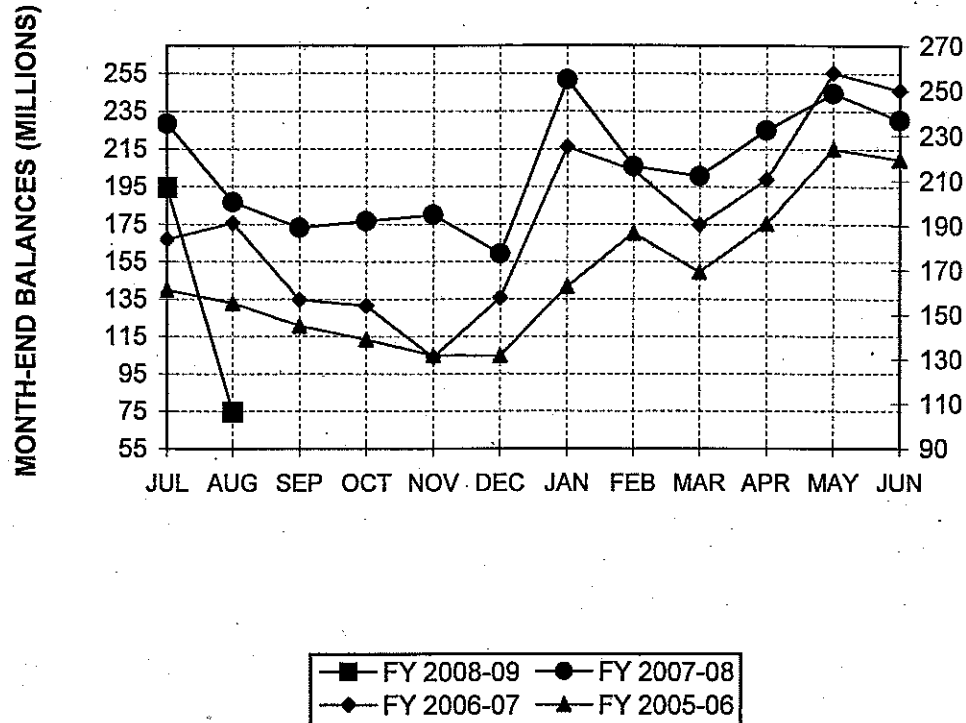
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Submitted by:


SCOTT P. JOHNSON
Director, Finance Department

GENERAL FUND Comparison of Cash Balances

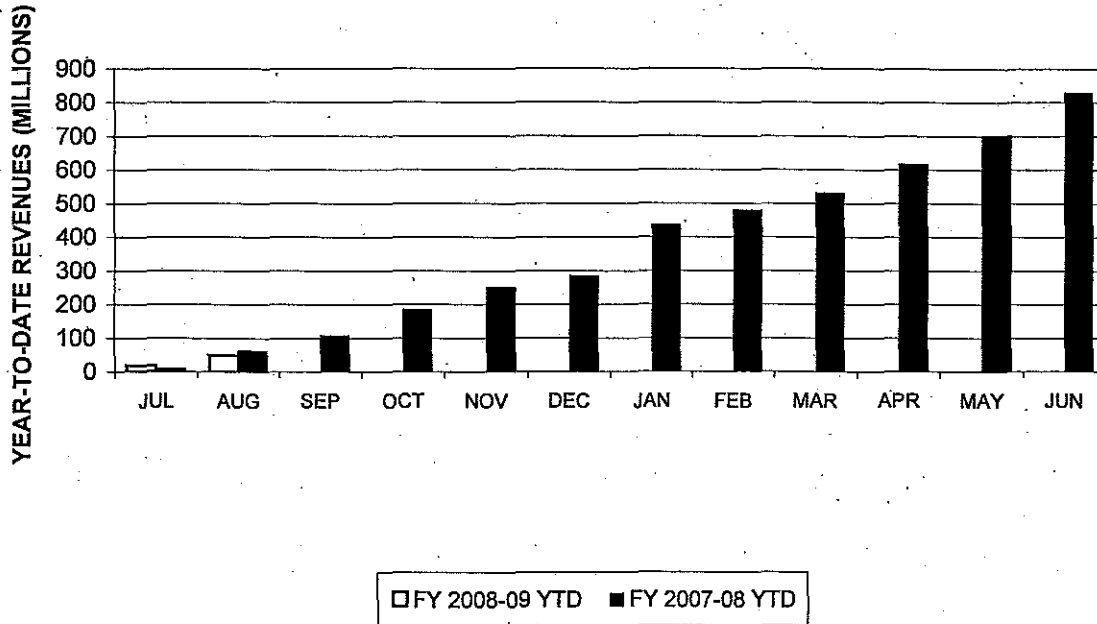


GENERAL FUND MONTHLY CASH BALANCES

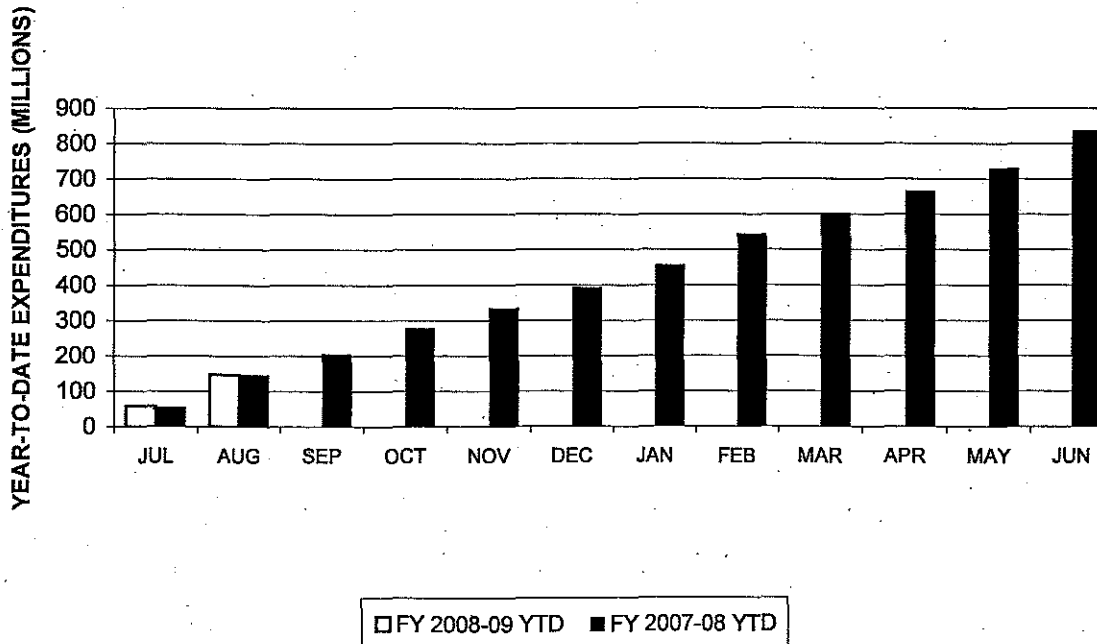
MONTH	FY 2008-09	FY 2007-08	FY 2006-07	FY 2005-06
JULY	\$ 194,527,843	\$ 228,551,607	\$ 183,638,084	\$ 161,103,519
AUGUST (1)	74,677,718	186,835,010	190,974,568	155,276,638
SEPTEMBER		173,043,887	156,674,730	144,980,057
OCTOBER		176,617,539	154,011,382	139,052,451
NOVEMBER		180,164,388	131,009,877	131,757,140
DECEMBER		159,164,830	157,479,064	131,612,938
JANUARY		251,792,153	224,766,520	162,598,761
FEBRUARY		205,882,438	214,574,932	186,471,797
MARCH		200,763,696	190,320,128	169,141,222
APRIL		225,008,853	210,342,744	190,637,410
MAY		244,545,422	257,771,653	224,072,193
JUNE		230,556,706	250,180,874	219,498,514

Note: (1) The General Fund cash balance decreased by \$119.8 million in August 2008 due to the decision to pay the City's portion of retirement contributions in a lump-sum rather than in bi-weekly contributions.

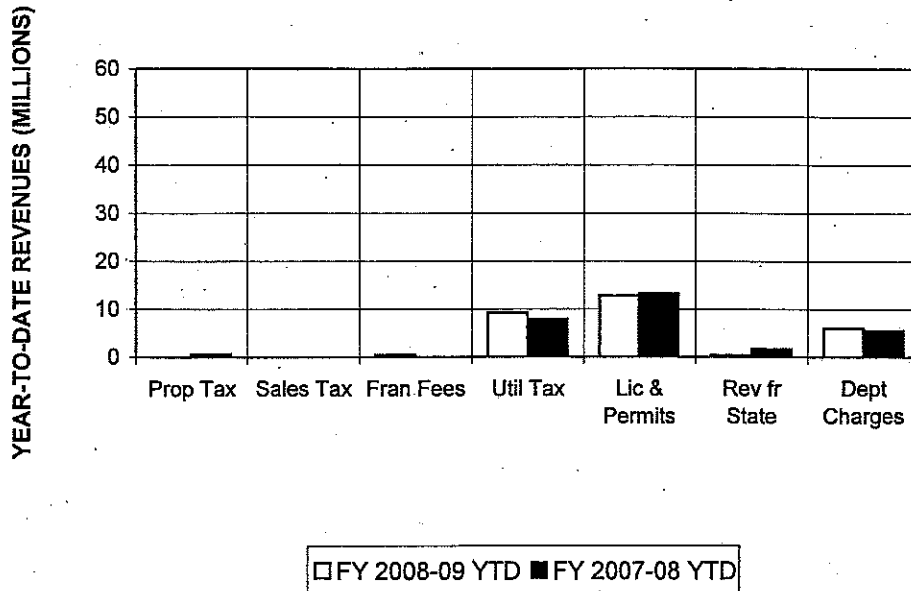
GENERAL FUND Comparison of YTD Revenues Actual



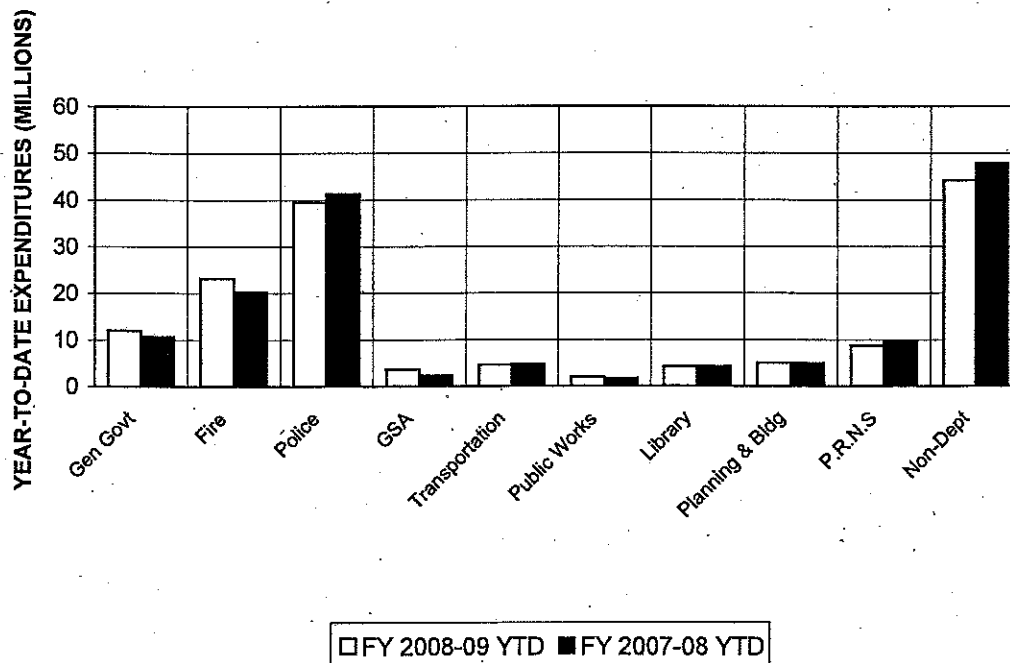
GENERAL FUND Comparison of YTD Expenditures Actual



GENERAL FUND MAJOR REVENUES
Comparison of YTD Actual vs. Prior YTD Actual
For the 2 Months Ended August 31, 2008



GENERAL FUND MAJOR EXPENDITURES
Comparison of YTD Actual vs. Prior YTD Actual
For the 2 Months Ended August 31, 2008



Note: State Budget Balancing actions resulted in the "Triple Flip", which suspended a portion of local governments' Sales and Use Tax and Motor Vehicle License Fee revenues and replaced them with local property tax revenues. The 2008-2009 impact through August 2008 is approximately \$0.5 million.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FUND BALANCE, REVENUE, TRANSFERS & REIMBURSEMENTS
FOR THE 2 MONTHS ENDED AUGUST 31, 2008
(UNAUDITED)
(\$000's)

	ADOPTED FY 2008-09 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2008-09 BUDGET	CUR YTD ACTUAL	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END BUDGETARY BASIS ACTUAL	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Fund Balance											
Prior Year Encumbrances	\$ -	-	41,649	41,649	41,648	100.00%	-	0.00%	25,096	41,648	-
Liquidation of c/o Encumbrance	-	-	-	-	-	-	-	-	-	-	-
Available Balance	202,882	250	-	203,132	203,132	100.00%	-	0.00%	247,630	203,132	-
Total Fund Balance	202,882	250	41,649	244,781	244,780	100.00%	-	0.00%	272,726	244,780	-
General Revenues											
Property Tax	208,267	-	-	208,267	-	0.00%	640	0.31%	203,718	(640)	-100.00%
Sales Tax (Note 2)	152,536	-	-	152,536	(1,834)	-1.20%	(3,153)	-2.05%	154,002	1,319	41.83%
Transient Occupancy Tax	9,972	-	-	9,972	966	9.69%	943	9.86%	9,560	23	2.44%
Franchise Fees	41,621	-	-	41,621	486	1.17%	(1,248)	-3.04%	41,064	1,734	-138.94%
Utility Tax	83,690	-	-	83,690	9,175	10.96%	7,856	9.55%	82,254	1,319	16.79%
Licenses and Permits	78,884	-	-	78,884	12,713	16.12%	13,209	17.84%	74,059	(496)	-3.76%
Fines, Forfeits and Penalties	15,726	-	-	15,726	1,094	6.96%	2,341	15.01%	15,601	(1,247)	-53.27%
Use of Money and Property	13,222	-	-	13,222	740	5.60%	1,381	7.72%	17,891	(641)	-46.42%
Revenue from Local Agencies	48,072	-	-	48,072	1,755	3.65%	13,250	26.97%	49,127	(11,495)	-86.75%
Revenue from State of Cal.	10,265	-	-	10,265	313	3.05%	1,679	13.63%	12,314	(1,366)	-81.36%
Revenue from Federal Government	3,815	-	-	3,815	608	15.94%	(1,131)	-15.27%	7,409	1,739	153.76%
Departmental Charges (Note 1)	30,863	-	-	30,863	6,048	19.60%	5,559	18.02%	30,842	489	8.80%
Other Revenues	17,496	-	-	17,496	8,772	50.14%	7,801	33.31%	23,416	971	12.45%
Total General Revenues	714,429	-	-	714,429	40,836	5.72%	49,127	6.81%	721,257	(8,291)	-16.88%
Transfers & Reimbursements											
Overhead Reimbursements	103,789	-	-	103,789	2,175	2.10%	1,839	4.88%	37,680	336	18.27%
Transfers from Other Funds	-	-	-	-	15,334	-	14,066	27.52%	51,105	1,268	9.01%
Reimbursements for Services	-	-	-	-	(5,464)	-	231	1.31%	17,699	(5,695)	-2465.37%
Total Transfers & Reimburse	103,789	-	-	103,789	12,045	11.61%	16,136	15.15%	106,484	(4,091)	-25.35%
Total Sources	\$ 1,021,100	250	41,649	1,062,999	297,661	28.00%	65,263	5.93%	1,100,467	232,398	356.09%

Note 1 - See Supplemental Schedule on Page 7

Note 2 - State Budget Balancing actions resulted in the "Triple Flip", which suspended a portion of local governments' Sales and Use Tax and Motor Vehicle License Fee revenues and replaced them with local property tax revenues. The 2008-2009, impact through August 2008 is approximately \$0.5 million.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE 2 MONTHS ENDED AUGUST 31, 2008
(UNAUDITED)
(\$000's)

	ADOPTED FY 2008-09 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2008-09 BUDGET	YEAR-TO-DATE		CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL(1)	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END BUDGETARY BASIS ACTUAL	CUR YTD LESS PRIOR YTD ACTUAL(1)	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
	BUDGET			BUDGET	ACTUAL	ENCUMBR						
General Government												
Mayor and Council	\$ 10,339	-	114	10,453	1,221	79	11.68%	1,043	15.64%	7,532	178	17.07%
City Attorney	13,384	-	1,734	15,118	1,929	1,627	12.76%	1,797	14.54%	13,323	132	7.35%
City Auditor	2,642	-	172	2,814	306	164	10.87%	329	13.88%	2,079	(23)	-6.99%
City Clerk	4,470	-	11	4,481	283	11	6.32%	258	7.01%	2,419	25	9.69%
City Manager	12,094	-	349	12,443	1,620	445	13.02%	1,258	14.09%	11,293	362	28.78%
Finance	12,502	-	320	12,822	1,693	512	13.20%	1,641	16.52%	11,221	52	3.17%
Information Technology	17,274	250	901	18,425	2,676	1,533	14.52%	2,304	15.39%	15,499	372	16.15%
Human Resources	7,914	-	226	8,140	1,050	398	12.90%	995	15.46%	7,175	55	5.53%
Redevelopment Agency	1,897	-	-	1,897	291	-	15.34%	187	14.98%	1,175	104	55.61%
Independent Police Auditor	830	-	7	837	130	5	15.53%	131	17.28%	805	(1)	-0.76%
Office of Economic Development	4,274	-	531	4,805	668	500	13.90%	648	14.23%	4,345	20	3.09%
Office of Emergency Services	541	-	-	541	78	-	14.42%	70	16.95%	262	8	11.43%
Total General Government	88,161	250	4,365	92,776	11,945	5,274	12.88%	10,661	14.74%	77,128	1,284	12.04%
Public Safety												
Fire	158,203	-	430	158,633	23,193	1,748	14.62%	20,261	15.96%	158,203	2,932	14.47%
Police	281,147	-	2,644	283,791	39,394	4,631	13.88%	41,283	16.04%	279,794	(1,889)	-4.58%
Total Public Safety	439,350	-	3,074	442,424	62,587	6,379	14.15%	61,544	16.01%	437,997	1,043	1.69%
Capital Maintenance												
General Services	24,927	-	1,387	26,314	3,619	6,546	13.75%	2,345	12.39%	17,992	1,274	54.33%
Transportation	32,895	-	1,070	33,965	4,591	2,390	13.52%	4,759	15.55%	32,688	(168)	-3.53%
Public Works	9,860	-	171	10,031	1,929	1,490	19.23%	1,682	17.08%	9,915	247	14.68%
Total Capital Maintenance	67,682	-	2,628	70,310	10,139	10,426	14.42%	8,786	14.80%	60,595	1,353	15.40%

(1) Does not include encumbrance balance.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE 2 MONTHS ENDED AUGUST 31, 2008
(UNAUDITED)
(\$000's)

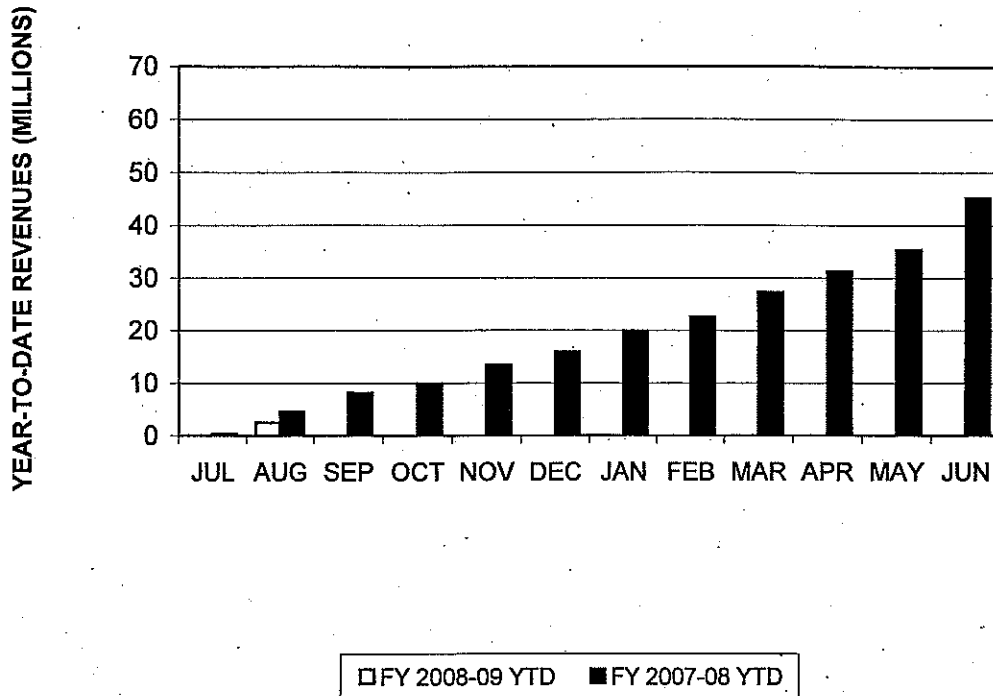
	ADOPTED FY 2008-09 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2008-09 BUDGET	YEAR-TO-DATE		CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL(1)	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END BUDGETARY BASIS ACTUAL	CUR YTD LESS PRIOR YTD ACTUAL(1)	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
	BUDGET			BUDGET	ACTUAL	ENCUMBR						
Community Service												
Library	29,575	-	269	29,844	4,231	600	14.18%	4,239	15.73%	28,661	(8)	-0.19%
Planning, Bldg & Code Enf.	36,780	-	704	37,484	5,053	763	13.48%	4,938	15.01%	34,218	115	2.33%
Park, Rec & Neigh Svcs	59,009	-	1,776	60,785	8,749	5,300	14.39%	9,762	17.04%	63,687	(1,013)	-10.38%
Environmental Services	842	-	360	1,202	43	406	3.58%	(164)	-12.37%	1,151	207	-126.22%
Total Community Services	126,206	-	3,109	129,315	18,076	7,069	13.98%	18,775	15.85%	127,717	(699)	-3.72%
Total Dept. Expenditures	\$ 721,399	250	13,176	734,825	102,747	29,148	13.98%	99,766	15.72%	703,437	2,981	2.99%
Non-Dept Expenditures												
City-wide Expenditures:												
Econ & Neighborhood Develop.	\$ 30,566	-	1,827	32,393	2,088	4,141	6.45%	11,794	47.71%	28,103	(9,706)	-82.30%
Environmental & Utility Services	989	-	125	1,114	33	588	2.96%	3	0.29%	1,046	30	1000.00%
Public Safety	5,861	-	2,739	8,600	420	2,890	4.88%	938	6.39%	8,886	(518)	-55.22%
Recreation & Cultural Services	12,652	-	1,177	13,829	1,047	1,092	7.57%	1,032	12.03%	8,962	15	1.45%
Transportation Services	3,034	-	478	3,512	169	387	4.81%	110	5.67%	2,065	59	53.64%
Strategic Support	69,557	-	4,356	73,913	8,642	5,551	11.69%	5,828	13.92%	44,929	2,814	48.28%
Total City-wide Expenditures	122,659	-	10,702	133,361	12,399	14,649	9.30%	19,705	21.23%	93,991	(7,306)	-37.08%
Capital Contributions	33,663	-	17,771	51,434	1,828	19,147	3.55%	1,656	19.30%	10,947	172	10.39%
Transfers to Other Funds	32,812	-	-	32,812	29,954	-	91.29%	26,467	89.84%	30,374	3,487	13.17%
Total Non-Dept Expenditures	189,134	-	28,473	217,607	44,181	33,796	20.30%	47,828	36.55%	135,312	(3,647)	-7.63%
Reserves												
Contingency Reserves	30,294	-	-	30,294	-	-	0.00%	-	0.00%	-	-	0.00%
Earmarked Reserves	80,273	-	-	80,273	-	-	0.00%	-	0.00%	-	-	0.00%
Total Reserves	110,567	-	-	110,567	-	-	0.00%	-	0.00%	-	-	0.00%
Total Uses	\$ 1,021,100	250	41,649	1,062,999	146,928	62,944	13.82%	147,594	19.28%	838,749	(666)	-0.45%

(1) Does not include encumbrance balance..

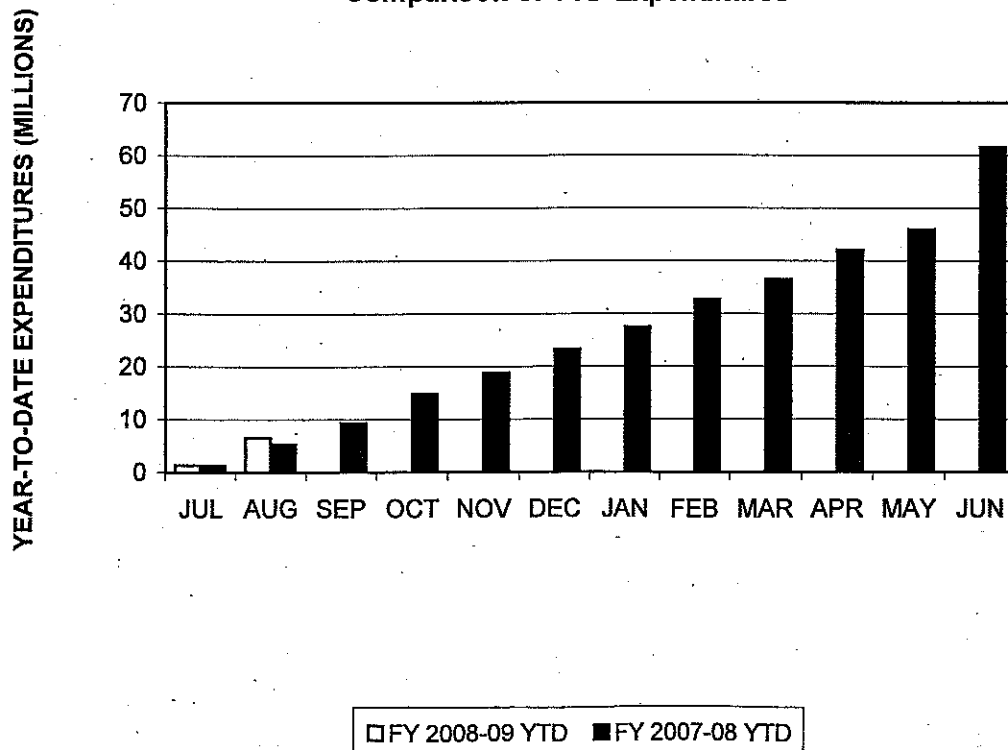
CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FOR THE 2 MONTHS ENDED AUGUST 31, 2008
SUPPLEMENTAL SCHEDULE - DEPARTMENTAL REVENUES
(UNAUDITED)
(\$000's)

	ADOPTED FY 2008-09 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2008-09 BUDGET	CUR YTD ACTUAL	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END BUDGETARY BASIS ACTUAL	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Police	\$ 1,763	-	-	1,763	304	17.25%	196	11.64%	1,684	108	55.14%
Public Works	7,511	-	-	7,511	955	12.72%	899	12.48%	7,201	56	6.27%
Transportation	956	-	-	956	218	22.76%	137	9.76%	1,404	81	58.85%
Library	1,216	-	-	1,216	(36)	-2.97%	10	0.74%	1,345	(46)	-460.89%
Planning, Bldg & Code Enf	6,702	-	-	6,702	1,030	15.37%	1,172	17.78%	6,590	(142)	-12.13%
Parks Rec & Neigh Svcs	6,357	-	-	6,357	2,999	47.18%	2,834	31.87%	8,893	165	5.82%
Miscellaneous Dept Charges	6,358	-	-	6,358	579	9.10%	311	8.35%	3,725	268	86.03%
Total Departmental Revenues	\$ 30,863	-	-	30,863	6,048	19.60%	5,559	18.02%	30,842	489	8.80%

CONSTRUCTION & CONVEYANCE TAX FUNDS Comparison of YTD Revenues



CONSTRUCTION & CONVEYANCE TAX FUNDS Comparison of YTD Expenditures



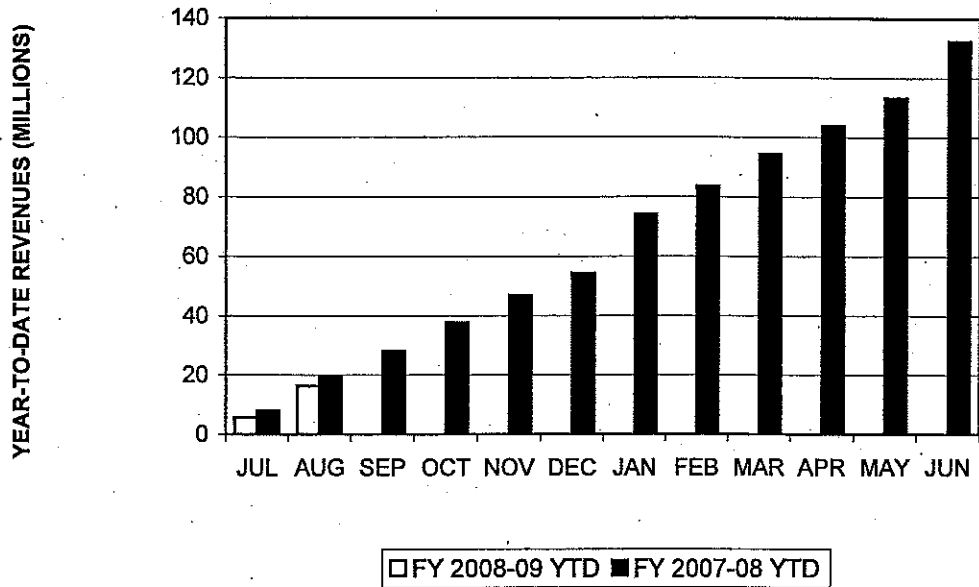
CITY OF SAN JOSE
SPECIAL REVENUE FUNDS
SOURCE AND USE OF FUNDS
FOR THE 2 MONTHS ENDED AUGUST 31, 2008
(UNAUDITED)
(\$000's)

	ADOPTED FY 2008-09 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2008-09 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Construction/Conveyance Tax							
Prior Year Encumbrance	\$ -	-	11,753	11,753	11,753	N/A	13,679
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	80,039	-	-	80,039	80,039	N/A	84,720
Revenues	49,982	-	-	49,982	2,531	N/A	4,642
Total Sources	130,021	-	11,753	141,774	94,323	N/A	103,041
Total Uses	130,021	-	11,753	141,774	6,536	11,148	5,312
Gas Tax							
Prior Year Encumbrance	-	-	-	-	-	N/A	-
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	-	-	-	-	-	N/A	-
Revenues	17,200	-	-	17,200	(5,464)	N/A	1,706
Total Sources	17,200	-	-	17,200	(5,464)	N/A	1,706
Total Uses	17,200	-	-	17,200	(5,464)	0	231
Building and Structures							
Prior Year Encumbrance	-	-	7,285	7,285	7,285	N/A	8,200
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	12,701	-	-	12,701	12,701	N/A	13,599
Revenues	15,813	5,809	-	21,622	1,041	N/A	1,749
Total Sources	28,514	5,809	7,285	41,608	21,027	N/A	23,548
Total Uses	28,514	5,808	7,285	41,608	2,015	8,691	1,640
Residential Construction							
Prior Year Encumbrance	-	-	-	-	-	N/A	1
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	1,315	-	-	1,315	1,315	N/A	1,370
Revenues	150	-	-	150	18	N/A	19
Total Sources	1,465	-	-	1,465	1,333	N/A	1,390
Total Uses	\$ 1,465	0	-	1,465	26	0	6

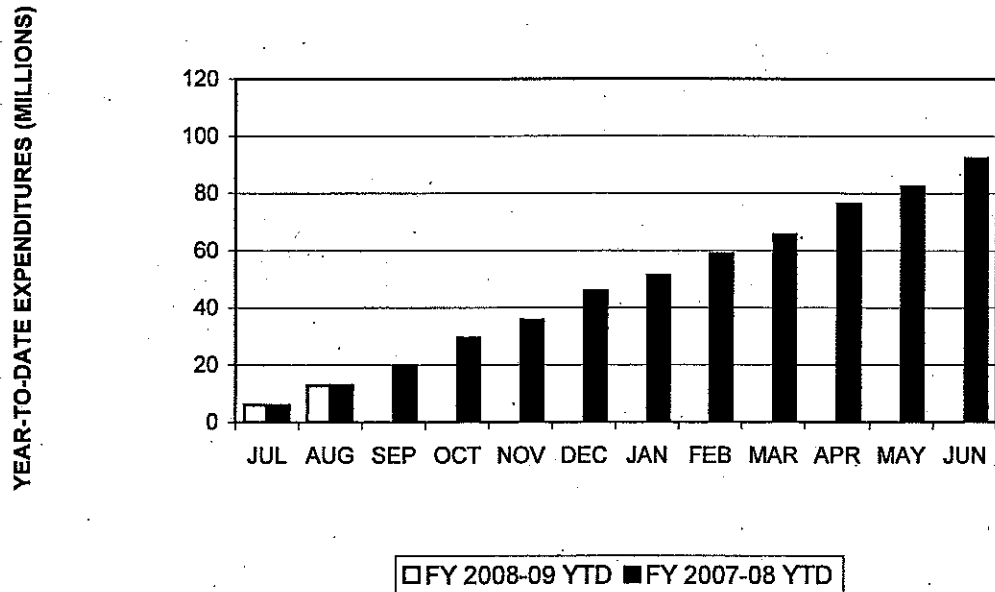
**CITY OF SAN JOSE
SPECIAL REVENUE FUNDS
SOURCE AND USE OF FUNDS
FOR THE 2 MONTHS ENDED AUGUST 31, 2008
(UNAUDITED)
(\$000's)**

	ADOPTED FY 2008-09 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2008-09 BUDGET	YEAR-TO-DATE ACTUAL ENCUMBR		PRIOR Y-T-D ACTUAL
Transient Occupancy Tax							
Prior Year Encumbrance	\$ -	-	401	401	401	N/A	127
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	4,058	-	-	4,058	4,058	N/A	3,753
Revenues	14,984	-	-	14,984	1,332	N/A	1,373
Total Sources	19,042	-	401	19,443	5,791	N/A	5,253
Total Uses	19,042	-	401	19,443	702	2,041	1,125
Conventions, Arts & Entertainment							
Prior Year Encumbrance	-	-	689	689	689	N/A	338
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	6,429	-	-	6,429	6,429	N/A	2,088
Revenues	19,887	-	-	19,887	622	N/A	12
Total Sources	26,316	-	689	27,005	7,740	N/A	2,438
Total Uses	29,166	(2,850)	689	27,005	2,593	686	2,687
Golf							
Prior Year Encumbrance	-	-	11	11	11	N/A	11
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	791	-	-	791	791	N/A	698
Revenues	2,123	-	-	2,123	1,258	N/A	1,489
Total Sources	2,914	-	11	2,925	2,061	N/A	2,198
Total Uses	2,914	-	11	2,925	1,254	11	1,236
Other Funds							
Prior Year Encumbrance	-	-	57,048	57,048	57,048	N/A	56,828
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	190,366	2,764	-	193,130	193,130	N/A	170,368
Revenues	616,609	2,555	-	619,164	80,466	N/A	65,616
Total Sources	806,975	5,319	57,048	869,342	330,644	N/A	292,812
Total Uses	\$ 810,759	1,077	57,048	868,884	54,457	170,127	42,330

**AIRPORT REVENUE FUND 521
Comparison of YTD Revenues**

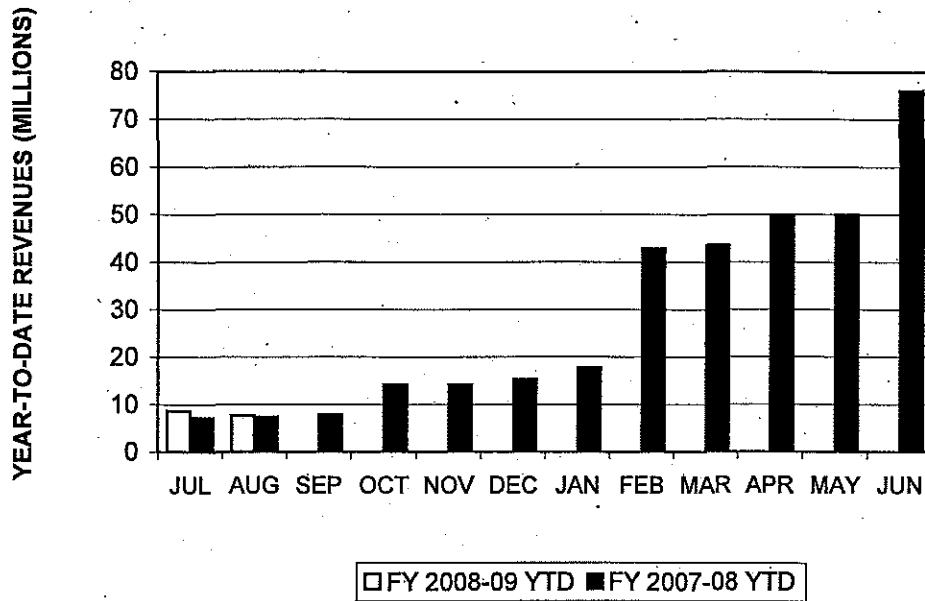


**AIRPORT MAINTENANCE & OPERATING FUND 523
Comparison of YTD Expenditures**

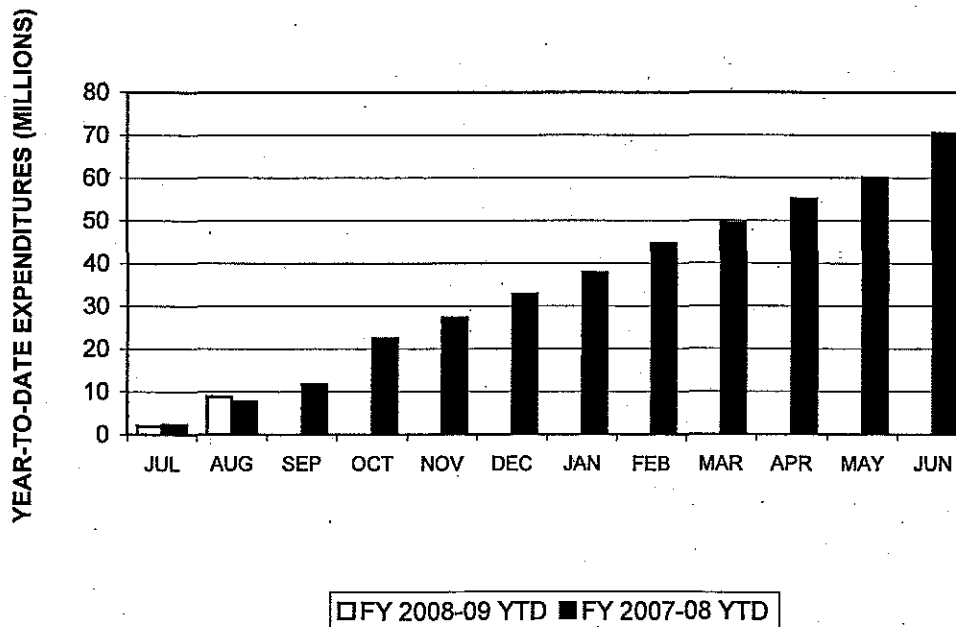


Note: The graphs above include the airport revenue fund (521) and operating fund (523) only.

**WPCP OPERATING FUND 513
Comparison of YTD Revenues**

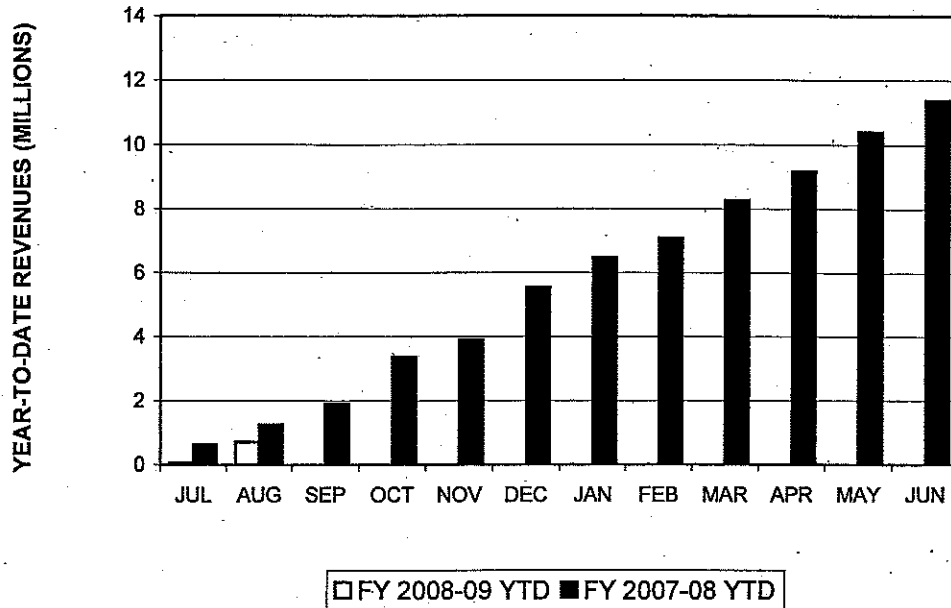


**WPCP OPERATING FUND 513
Comparison of YTD Expenditures**

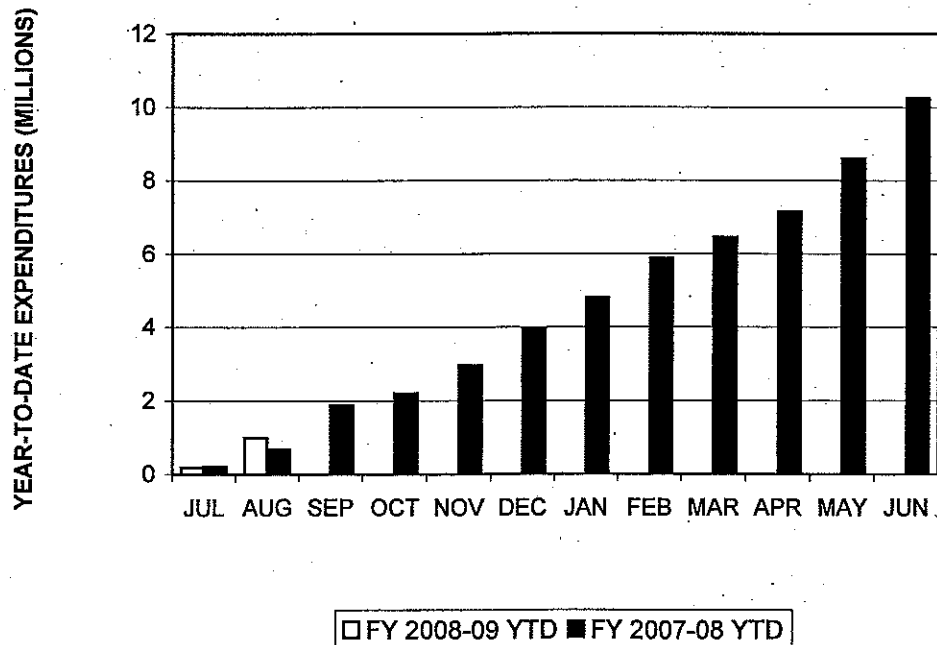


Note: Graphs above are only for WPCP operating fund (513).

PARKING OPERATING FUND 533
Comparison of YTD Revenues



PARKING OPERATING FUND 533
Comparison of YTD Expenditures



**CITY OF SAN JOSE
ENTERPRISE FUNDS
SOURCE AND USE OF FUNDS
FOR THE 2 MONTHS ENDED AUGUST 31, 2008
(UNAUDITED)
(\$000's)**

	ADOPTED FY 2008-09 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2008-09 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Airport							
Prior Year Encumbrance	\$ -	-	497,173	497,173	497,173	N/A	190,201
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	589,934	-	-	589,934	589,934	N/A	685,863
Revenues	404,483	-	-	404,483	71,191	N/A	59,874
Total Sources	994,417	-	497,173	1,491,590	1,158,298	N/A	935,938
Total Uses	994,417	-	497,173	1,491,590	44,944	552,286	54,323
(Note 1)							
Waste Water Treatment							
Prior Year Encumbrance	-	-	58,152	58,152	58,152	N/A	38,241
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	170,257	-	-	170,257	170,257	N/A	147,623
Revenues	245,551	-	-	245,551	110,176	N/A	95,516
Total Sources	415,808	-	58,152	473,960	338,585	N/A	281,380
Total Uses	412,959	2,849	58,152	473,960	15,624	66,897	25,302
(Note 2)							
Municipal Water							
Prior Year Encumbrance	-	-	2,146	2,146	2,146	N/A	1,603
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	9,155	-	-	9,155	9,155	N/A	11,481
Revenues	30,433	-	-	30,433	7,873	N/A	6,794
Total Sources	39,588	-	2,146	41,734	19,174	N/A	19,878
Total Uses	39,588	-	2,146	41,734	4,545	3,378	4,633
Parking							
Prior Year Encumbrance	-	-	1,267	1,267	1,267	N/A	873
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	12,442	-	-	12,442	12,442	N/A	11,816
Revenues	11,054	11,800	-	22,854	6,609	N/A	1,252
Total Sources	23,496	11,800	1,267	36,563	20,318	N/A	13,941
Total Uses	\$ 29,396	-	1,267	30,663	6,891	1,623	685

Note 1 - All Airport Funds, including operating, revenue, capital and debt service.

Note 2 - All Waste Water Funds, including operating, revenue, capital and debt service.

**CITY OF SAN JOSE
CAPITAL PROJECT FUNDS
SOURCE AND USE OF FUNDS
FOR THE 2 MONTHS ENDED AUGUST 31, 2008
(UNAUDITED)
(\$000's)**

	ADOPTED FY 2008-09 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBER	REVISED FY 2008-09 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBER	
Construction Excise							
Prior Year Encumbrance	\$ -	-	8,482	8,482	8,482	N/A	7,731
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	16,636	-	-	16,636	16,636	N/A	12,004
Revenues	29,535	-	-	29,535	7,781	N/A	3,561
Total Sources	46,171	-	8,482	54,653	32,899	N/A	23,296
Total Uses	46,171	-	8,482	54,653	6,541	15,845	9,157
Community Facilities Constr							
Prior Year Encumbrance	-	-	-	-	-	N/A	-
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	-	-	-	-	-	N/A	-
Revenues	-	-	-	-	-	N/A	-
Total Sources	-	-	-	-	-	N/A	-
Total Uses	-	-	-	-	-	-	-
Redevelopment Projects							
Prior Year Encumbrance	-	-	5,063	5,063	5,063	N/A	3,057
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	3,340	100	-	3,440	3,440	N/A	2,654
Revenues	-	3,337	-	3,337	278	N/A	1,057
Total Sources	3,340	3,437	5,063	11,840	8,781	N/A	6,768
Total Uses	3,340	3,437	5,063	11,840	569	4,878	284
Central Svc Yard Acq.							
Prior Year Encumbrance	-	-	-	-	-	N/A	-
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	-	-	-	-	-	N/A	-
Revenues	-	-	-	-	-	N/A	-
Total Sources	-	-	-	-	-	N/A	-
Total Uses	-	-	-	-	-	-	-
Other							
Prior Year Encumbrance	-	-	129,130	129,130	129,130	N/A	47,685
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	160,918	(19,976)	-	140,942	140,942	N/A	260,216
Revenues	59,964	(29,485)	-	30,479	551	N/A	2,647
Total Sources	220,882	(49,461)	129,130	300,551	270,623	N/A	310,548
Total Uses	\$ 171,371	-	129,130	300,500	6,706	129,612	6,342

**CITY OF SAN JOSE
OTHER FUND TYPES
SOURCE AND USE OF FUNDS
FOR THE 2 MONTHS ENDED AUGUST 31, 2008
(UNAUDITED)
(\$000's)**

	ADOPTED FY 2008-09 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2008-09 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Trust and Agency							
Prior Year Encumbrance	\$ -	-	33	33	33	N/A	28
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	2,197	-	-	2,197	2,197	N/A	2,345
Revenues	203	-	-	203	65	N/A	1,339
Total Sources	2,400	-	33	2,433	2,295	N/A	3,712
Total Uses	\$ 2,400	-	33	2,432	13	73	243